

**DOCKET SECTION
BEFORE THE**

**POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**DOUGLAS F. CARLSON
RESPONSES TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE
(USPS/DFC-T1-1-29)**

January 23, 1998

I, Douglas F. Carlson, hereby provide my responses to the interrogatories of the United States Postal Service (USPS/DFC-T1-1-29). Interrogatories USPS/DFC-T1-1-18 were filed on January 12, 1998, and interrogatories USPS/DFC-T1-19-29 were filed on January 15, 1998.

Each interrogatory is stated verbatim and is followed by my response.

Respectfully submitted,



Dated: January 23, 1998

DOUGLAS F. CARLSON

**DOUGLAS F. CARLSON RESPONSES
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-1. Please refer to your testimony at page 2, line 1. Do you think that your proposal will reduce the use of picture postcards? Please explain your answer.

RESPONSE:

My proposed rate for stamped cards is not based on an assumption that a lower rate for stamped cards will reduce the use of glossy picture postcards. In the portion of my testimony to which you referred, I was explaining that stamped cards are more compatible with automation than private post cards. Glossy picture postcards provide a prime example of the poor automation compatibility of the private-post-card mail stream. I believe that mail with low cost stamped cards, should receive a lower rate than mail with high cost private post cards. I would hold this belief even if my proposed rate would not cause a shift from private post cards to stamped cards.

If my proposed rate for stamped cards were approved and implemented, a small number of customers probably would shift from picture postcards to stamped cards. I would expect this small shift to occur among cost-conscious customers. The primary purpose for sending a post card is to communicate a message, not to send a picture. In future years, as the gap between the rate for private post cards and stamped cards widened, a greater shift possibly would occur. My testimony provides evidence indicating that customers do care about rate differentials (see OCA-T-400 at 13–14), so some shift in volume probably is likely over the long run.

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USPS/DFC-T1-2. Please refer to page 4, line 13 of your testimony.

a. Please describe the uses you make of the 200 to 300 stamped cards you use per year.

b. With respect to each type of use you describe in your response to part (a), why do you use stamped cards instead of postcards?

RESPONSE:

a. While I consider my precise uses of stamped cards to be confidential, I will say that I use most of the stamped cards to request information from companies or organizations, communicate brief messages, and send test mail to myself.

b. I use stamped cards because I perceive them to be more compatible with automation than private post cards. During the 1980's, I made extensive use of both stamped cards and 4" x 6" index cards. Index cards seemed to experience a higher reject rate in the facer-canceller machines and in the OCR's and BCS's than stamped cards. Index cards felt more flimsy than stamped cards, and I attributed the increased problems to this flimsiness. After informally experimenting for several years, I began to use stamped cards almost exclusively. I still perceive index cards to process less successfully in the facing and sorting operations than stamped cards, although I have not run tests lately. On the few occasions recently on which I have used index cards, I recall problems with the postmark not printing clearly, perhaps because the cards are flimsy. Stamped cards seem more sturdy — or thick — than index cards.

The preaffixed postage of stamped cards also is convenient. However, I would not pay an additional cent — or two cents, as the Postal Service has proposed — for this convenience. Self-adhesive postage stamps and my postage meter offer sufficiently easy and convenient methods of affixing postage. I also believe that the colorful stamped-card designs are attractive. Again, though, I would prefer to save money on postage, so if stamped cards had a higher rate and fee than private post cards, I would use index cards. (I, personally, would refrain from using any card stock other than plain, white index cards because I try to make all my mail automation-compatible. Other cost-conscious customers who are less familiar than I with the Postal Service's mail-processing methods and automation requirements might switch to any of a variety of types, colors, and sizes of card stock.)

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USPS/DFC-T1-3. Please refer to page 4, lines 13-22 of your testimony.

- a. Are the index cards you would substitute for stamped cards blank on both sides, or do they contain markings, such as ruled lines? If the latter, please describe any markings on the index cards.
- b. Do you consider these index cards to be as attractive as stamped cards?
- c. Why do you believe that these index cards might not be as compatible with automation as stamped cards? Please explain fully.

RESPONSE:

- a. The index cards that I would use are blank on both sides.
- b. This question is difficult to answer in the abstract. For example, I believe that the 20-cent Fire Pumper coil stamp and the 20-cent Blue Jay stamp look attractive on index cards. Old 20-cent commemorative stamps from 1981-1983 are both attractive and unique on an index card. Of course, the indicia on stamps are attractive, too. However, if the cancellation included a slogan or special design, the indicia on most stamped cards would obscure the slogan while the white space on an index card would permit the slogan cancellation to show nicely. Also, since the indicia on modern stamped cards takes up quite a bit of space, the white space on an index card might allow the mailer to use an attractive address label or other design that would add style to an index card. Finally, often the cancellation on a stamped card covers part of my return address, while the slightly wider index card (6" versus 5½") allows the return address to remain unobscured. A cancellation that covers a return address is unattractive, potentially poses operational problems for the Postal Service, and may inconvenience the recipient.
- c. See my answer to USPS/DFC-T1-2(b). In essence, I perceive index cards to be more flimsy than stamped cards.

In proposing a lower rate for stamped cards, I am not primarily concerned that the Postal Service's proposal would cause customers to shift to the index cards that I would use, as the automation compatibility of some index cards may even be comparable to that of stamped cards. Instead, I observe, first, that customers likely will shift to any variety of types of private post cards, some of which will be compatible with automation and some of which will not be. Second, since stamped cards cost considerably less to process than private post cards, the rate for stamped cards should be lowered, not raised, as compared to the rate for private post cards. One simply cannot escape the fact that the Postal Service's proposal to increase the combined rate and fee for stamped cards is inequitable and unfair.

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USPS/DFC-T1-4. Please refer to page 5, lines 20 to 22, of your testimony.

a. Confirm that the current fee for stamped cards is 0 cents. If you cannot confirm, please explain fully.

b. Where in this case has the Postal Service proposed increasing the fee for manufacturing a stamped card from one cent to two cents?

RESPONSE:

a. The stamped-card fee that is listed in DMCS Schedule SS-19A is \$0.00. The manufacturing costs of stamped cards are, however, attributed to the Stamped Cards and Post Cards subclass. Therefore, the 20-cent rate for post cards and stamped cards includes the manufacturing costs of stamped cards.

b. In the section of my testimony to which this question refers, I am explaining my proposed process for determining the rate for private post cards and stamped cards. Under my proposal, the rate for stamped cards would contain two components — a processing-cost component and a manufacturing-cost component. I then demonstrate how this process would work for the current case. For the manufacturing-cost component, I note that the manufacturing cost for a stamped card currently is one cent. I then apply the Postal Service's proposed 200-percent cost coverage to this manufacturing cost, and the final fee for the manufacturing cost increases from one cent to two cents.

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USPS/DFC-T1-5. Please refer to page 6, lines 19 to 20, of your testimony. Do you believe that the benefits of hypothetical combined rates (postage plus the stamped envelope fee) for stamped envelopes would outweigh any benefits from having separate stamped envelope fees? Please explain fully.

RESPONSE:

The only benefit that I could see from having a combined rate for stamped envelopes would be a reduction in the small amount of customer confusion that may arise when customers purchase stamped envelopes and learn that stamped envelopes are sold for a price greater than the postage imprinted on the envelope. I suspect this confusion is minimal, and customers who are confused at first will learn quickly.

I also believe that any confusion that resulted from the stamped-card fee the Postal Service has proposed would dissipate fairly soon as customers learn about the fee.

For my proposal, I faced two choices: (1) Propose a single rate that would include the manufacturing costs and the appropriate markup, as I described in my testimony at pages 5–6; this rate would be imprinted on the cards, and the cards would be sold for that rate; or (2) Propose a new, lower rate for stamped cards (such as 18 cents), then allow a two-cent stamped-card fee to be added on. The second option would seem to create some confusion, however minimal, since the cards would be sold for a price that was higher than the postage rate printed on the cards. I believe that if the opportunity exists to avoid this possible confusion by selling the cards for the amount that is printed on them, we should pursue this opportunity. Also, if we pursued option (2), we would be in the odd position of having a unique rate for stamped cards — 18 cents — that no person could use without also paying a two-cent stamped-card fee. In other words, the postage rate that would apply to stamped cards would apply only to stamped cards, but this rate would be unavailable unless a customer paid an additional two cents to buy a stamped card. I see no reason to create a rate (e.g., 18 cents) that no one can use without buying a product and paying an additional fee (e.g., two cents, for a total of 20 cents). In contrast, stamped envelopes are subject to the same postage rate as a regular #10 envelope, so printing the regular postage rate on a stamped envelope makes more sense.

The prospect for confusion seems small. Nonetheless, given a choice, I selected the option that minimized the potential for confusion.

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USPS/DFC-T1-6. Please refer to page 6, line 34 and page 8, line 1 of your testimony. Please provide the calculation underlying your 263 percent proposed cost coverage for stamped cards.

RESPONSE:

The attributable cost for manufacturing and processing a stamped card is 7.6 cents. See Tr. 13/6993 (DFC/USPS-T5-2(b), Attachment I). My proposed rate is 20 cents. I divided 20 cents by 7.6 cents and multiplied by 100 percent to determine an implicit cost coverage of 263 percent:

$$(20) / (7.6) * (100\%) = 263\%$$

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USPS/DFC-T1-7. Please refer to page 9, lines 3 to 5, of your testimony. Does the stationery included as part of a stamped card also add value to the product, thereby justifying a cost coverage higher than private cards? If your response is in the negative, please explain fully, especially taking into consideration your view that preprinted postage adds value and justifies a higher cost coverage.

RESPONSE:

No. The stationery is a constant. If I buy a private post card, such as an index card, I will own a piece of stationery. If I purchase a stamped card, I also will own a piece of stationery. Either way, this piece of stationery will allow me to transmit a message through the mail.

The stamped card already has postage affixed to it, while I must affix it to the index card. Therefore, I may derive some added value from the stamp compared to the index card because the stamped card already has postage affixed to it. This added value results from the preaffixed postage, not the stationery.

A stamped card that was not also a piece of stationery — i.e., a card — would be nothing. For example, when I buy a stamped envelope, the fact that I receive an envelope as a result of my purchase does not “add value to the product” (except to the tautological extent that a stamped envelope that did not include an envelope would be worthless and would not even exist, while a stamped envelope that includes an envelope has some positive value). Instead, the added value of a stamped envelope that might justify a cost coverage higher than the cost coverage for a single-piece First-Class letter is derived from the preaffixed postage on the envelope, not the envelope itself.

My testimony omitted a significant disadvantage that preaffixed postage causes customers. If a customer spoils a stamped card, he potentially will have lost 20 cents, not the lesser cost of an index card. Customers who have stamped cards printed on offset presses risk losing 20 cents for each card that is spoiled during printing. Moreover, unless they print the exact number of cards, they will waste 20 cents for each excess card. (Customers may visit the post office to exchange spoiled cards for an 85-percent refund.) Lastly, customers who print large quantities of cards for use over the course of a year must invest 20 cents in each card at the time of printing, rather than paying 20 cents postage on each card throughout the year as they actually use the cards. These disadvantages reduce the value of the preaffixed postage.

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USPS/DFC-T1-8. In Docket No. MC95-1, the Postal Rate Commission defined subclass as follows:

As the Newspaper Association of America (NAA) correctly states on brief, '[i]n postal ratemaking, a subclass is a grouping of mail across which attributable costs are measured and averaged, and to which the Section 3622 ratesetting factors are applied for purposes of assigning a share of the Postal Service's institutional costs.' NAA Brief at 24 (footnote omitted).

PRC Op., Docket No. MC95-1, at I-3. Are you proposing that a subclass be created for stamped cards?

RESPONSE:

No. The changes that I am proposing appear on page 7 of my testimony.

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USPS/DFC-T1-9. Please refer to your testimony at page 12, lines 9 to 11.

a. Please confirm that the test year cost coverage for post office box service at current rates is 99.60 percent (Exhibit USPS-30A, as revised 9/19/97, copy attached). If you do not confirm, please explain why not.

b. Please confirm that most of the cost coverages in Exhibit USPS-30A (as revised 9/19/97) are higher than 99.60 percent, and that the average cost coverage, excluding other costs and prior years loss recovery, is 170.86 percent. If you do not confirm, please explain why not.

c. Do you agree that increases of greater than 4.5 percent for post office box fees would be justified, simply to provide a contribution to "other" costs that is closer to the contribution from other subclasses of mail and special services? Please explain any response other than an unqualified "yes".

RESPONSE:

a. Confirmed. However, this number masks the fact that the proposed cost coverages for boxes in Group C, sizes 1-3 range from 145.7 percent to 151.1 percent. Tr. 3/572. Meanwhile, proposed cost coverages for Group D boxes range from 47.0 percent to 76.9 percent. *Id.* Fees for urban boxholders such as I should not be raised in order to increase an overall cost coverage that is being dragged down by Group D.

b. Assuming that the item "Volume-Variable Costs and Revenues" (line 49) represents the average cost coverage, I confirm both statements.

c. No. Docket No. R97-1 represents the first omnibus rate case in which I have participated. I am seeing for the first time how the Postal Service justifies cost coverages for various subclasses of mail and types of services, and I have yet to read how the Commission will judge and explain the appropriate cost coverage for each subclass or service. Therefore, I cannot agree that post-office boxes are underpriced.

Indeed, one could argue that post-office boxes should have a lower cost coverage than any class of mail, including Standard Mail, since without mail there would be no need for boxes. Since the need to receive mail drives demand for boxes, and since customers who receive carrier delivery must value receiving their mail higher than they would value a post-office box, the value of mail must be higher than the value of boxes. Therefore, to the extent that Parcel Post and Standard Mail (A) Single-Piece have a lower cost coverage than post-office boxes overall, perhaps the cost coverage for post-office boxes already is too high. In general, however, until I understand why each subclass or service has the cost coverage that it has, I cannot agree that a greater-than-average increase for boxes would be justified. I do know that a fee increase cannot be justified based on the value of the service that is being provided.

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USPS/DFC-T1-10. Please refer to your testimony at pages 12 through 18.

- a. Please confirm that you are eligible for carrier delivery to your residence. If you do not confirm, please explain why not.
- b. Do you currently receive any mail at your residence through carrier delivery?
- c. If you confirm part (a), please explain why you have chosen to receive your mail through a post office box rather than through carrier delivery to your residence?
- d. If you confirm part (a), please explain why you do not switch to carrier delivery in response to the problems you present in your testimony concerning post office box service.

RESPONSE:

- a. Confirmed.
- b. Yes, although almost all the mail is unsolicited advertising mail.
- c. I obtained box service when I moved to Emeryville in 1995 because:
 - (i) The Postal Service is one of my hobbies, and I generally enjoy going to the post office every day to pick up my mail;
 - (ii) At my previous addresses, a post-office box provided better security for my mail than carrier delivery, since large articles that arrive at apartment cluster mailboxes often are left out in the open, increasing the risk of theft. (This concern does not apply at my current address, as the mailboxes are inside a secured, monitored lobby, and the security concierge will sign for and store parcels.)
 - (iii) I can avoid revealing my street address to my correspondents;
 - (iv) My post-office-box address is easier to communicate to people over the telephone than my street address, especially since my address contains an apartment number;
 - (v) I believed at the time that I would be able to receive my mail earlier in the day than if I received carrier delivery.
- d. For the reasons described in part (c), I want to have a post-office box. I believe that I have a right to receive decent service, and I will not give up on this goal easily. I will continue to write letters of complaint to my postmaster and, soon, his superiors to try to resolve the problems. In the meantime, as the frustration and time that I waste due to this poor service mount, I will seriously consider moving my box to the Oakland P&DC when a freeway project is completed later this year, thus possibly making that office reasonably accessible and convenient to me.

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USPS/DFC-T1-11. Please refer to your testimony at page 15, lines 27 to 29.

- a. What size box do you use in Berkeley?
- b. Have any postal employees suggested that you obtain a larger box to receive the flat mail containing rate case materials?

RESPONSE:

- a. Size 1.
- b. No. I would be surprised if an employee made this suggestion, since, over the course of a year — even a year during which I am participating in an omnibus case — my mail exceeds the box capacity in an average year not more than on three times per month. Moreover, while the overflows lately have been caused by the high volume of mail that I have been receiving, many of the overflows are attributable to the general delays in the delivery of First-Class flats to me. I have experienced. According to a study that I conducted, between April 7 and 18, 1997, I received 40 First-Class flats. Of these 40 flats, 26 were delivered late by an average of 1.48 days. Between July 29, 1997, and September 23, 1997, I recorded deliveries of 174 flats. Of these 174 flats, 104 (59.8 percent) were delivered late by an average of 1.10 days. The pattern of late delivery posed a particular problem, as often the flats that were mailed from the Washington, DC, area early in the week did not arrive on Friday or Saturday but instead arrived on Monday or Tuesday, often along with Monday's flats. This clumping of my flats was at least as responsible for creating overflow situations as the general volume of flats that I was receiving. I would have resisted any attempt to require me to move to a larger box size because the Postal Service was failing to deliver all of my flats in a timely manner on a daily basis, thus itself contributing to the problem. I also would have objected because the clumping interfered with my participation in this case due to the delivery delays and the considerable effort that was required on certain days of the week to review the piles of rate-case-related documents when they finally arrived; I would not have wanted to bear an additional burden by moving to a larger box just to respond to a problem for which the Postal Service bore a significant responsibility. Lastly, given the problems that I have experienced with mail forwarding, I would have wished to avoid the need for my mail to be forwarded to another box.

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USPS/DFC-T1-12. Please refer to your testimony at page 17, line 21. Explain your understanding of the level of return receipt service that "the Postal Service suggests that it is currently providing."

RESPONSE:

The Postal Service represents to the public that it provides return receipts that indicate the actual date of delivery. For example, *Consumer's Guide To Postal Services and Products* (Publication 201, July 1996) advertises return-receipt service as providing "proof of delivery" and the "date that [the item] was delivered." This advertisement is clear and straightforward, since the date on which an item was delivered is just that — the date of delivery, not some other date. DMM § D042.1.7 clearly supports my interpretation of the service. Early in the case, witness Plunkett portrayed return receipt as deriving value from the three key characteristics that I described on page 18 of my testimony. I am confident that a survey would reveal return-receipt customers' belief that the Postal Service, not the recipient, places a true date of delivery on the return receipt. For example, customers who use return-receipt service to prove that their payment for a parking or traffic ticket arrived at the ticket agency by the deadline surely must purchase the service with the expectation that the Postal Service, not the ticket agency, will indicate the actual date of delivery on the return receipt. I cannot imagine why I would purchase return-receipt service for \$1.10 if the recipient were going to be responsible for filling in the date of receipt on the return receipt under conditions that prevented the Postal Service from acting as a disinterested third party in verifying the accuracy of the date of delivery and returning a properly completed return receipt to me within one day after delivery. Indeed, witness Plunkett notes that the Postal Service's role as a disinterested third party contributes to the value of the service, and he implies that this role is not trivial. See Tr. 3/848–50. If I knew that the recipient would be completing and mailing back my return receipt, I instead would enclose a self-addressed, stamped post card inside my letter and ask the recipient to mail the card back to me. The cost of this post card would be 20 cents, yet the card would be just as reliable (or unreliable) as the Postal Service's return receipt. I constructed the hypothetical question in DFC/USPS-T40-1 (Tr. 3/848–50) to determine why the Postal Service considers return receipts to be more valuable than my hypothetical post card and, thus, worthy of a \$1.10 fee. Witness Plunkett's explanation of the service suggested that the Postal Service currently is providing a valuable service, but the evidence about the practices for the IRS in Holtsville and Fresno and for the New Jersey Division of Taxation reveals that the Postal Service is not providing the quality of service that it suggests that it is providing.

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USPS/DFC-T1-13. Please refer to your testimony at page 17, line 22 through page 18, line 11. Is it your understanding that the three characteristics presented on page 18 represent an exhaustive list of the reasons why customers might prefer return receipt service to the hypothetical alternative presented by you on page 17, lines 25 to 26, of your testimony? Please explain your answer.

RESPONSE:

No. These three characteristics are elements of the service that, according to witness Plunkett, contribute to the value of return-receipt service. I agree with witness Plunkett. Moreover, I agree with his implication that these three characteristics are very important in distinguishing my hypothetical alternative from the Postal Service return-receipt service as the service is described in DMM § D042.1.7. In fact, that these characteristics are the *key* characteristics that distinguish my hypothetical alternative from return-receipt service as the service is described in DMM § D042.1.7. I designed the hypothetical alternative in DFC/USPS-T40-1 and the follow-up interrogatories thereto to learn the reasons why the Postal Service believes that return-receipt service, for which customers must pay \$1.10, would be better than my hypothetical alternative, which would cost 20 cents.

While I do not believe that this list of three characteristics is exhaustive, DFC/USPS-T40-1(c) did ask witness Plunkett to explain "*all* differences between option (1) and option (2) that might make option (1) more valuable than option (2)" [emphasis added]. Witness Plunkett filed this interrogatory response with a declaration under penalty of perjury that his answer was "true and correct, to the best of [his] knowledge, information, and belief," so these three characteristics are the only ones that the Postal Service should be citing in this case as distinguishing return-receipt service from my hypothetical alternative.

I am aware of at least one additional distinguishing characteristic. DMM § D042.1.7(b), if followed, would prevent the recipient from opening the envelope until the recipient had signed and printed his/her name on the return receipt and handed the return receipt back to the USPS employee. Of course, this procedure is not followed in the instances described in my testimony, so once again return-receipt service loses an element of value that would distinguish it from my 20-cent alternative.

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USPS/DFC-T1-14. Please refer to your testimony at page 20, line 18, to page 22, line 16.

a. Please confirm that one reason taxpayers purchase return receipt service when they send a tax return to the Internal Revenue Service (IRS) is to learn whether, rather than when, the IRS received the tax return?

b. What is the significance to the taxpayer of the exact date of receipt by the IRS of a tax return?

c. Please confirm that a customer purchasing return receipt service in conjunction with certified mail service can receive a mailing receipt postmarked with the date of mailing on it? If you do not confirm, please explain why not.

RESPONSE:

a. I do not know all the reasons why taxpayers purchase return-receipt service when they send a tax return to the IRS, but I believe that it is reasonable to assume that some taxpayers are primarily concerned with whether the IRS received their return, not the date of delivery. On the other hand, other taxpayers, such as my brother, are concerned with the date of delivery. See DFC-T-1 at 21, lines 29–30. Either way, however, the main point is that the Postal Service is selling a service that provides the date of delivery. *Consumer's Guide To Postal Services and Products* (Publication 201, July 1996) advertises return receipt as providing "proof of delivery" and the "date that [the item] was delivered." This advertisement is clear and straightforward, as the date on which the item was delivered is just that — the date of delivery, not some other date. DMM § D042.1.7 clearly supports my interpretation of the service. In violating its own regulations with respect to return-receipt service, the Postal Service apparently has improperly and without justification presumed that taxpayers do not, in fact, want the service that the Postal Service has committed itself to providing.

b. I have not studied the tax law in this regard, nor have I surveyed taxpayers. I can say that my brother cares about the date of delivery. Moreover, the date of delivery could be relevant if a taxpayer mailed his return via certified mail, return receipt requested, on April 14 using postage stamps and simply dropped the letter in a collection box instead of having the certified-mail receipt postmarked at the window. Suppose that the stamps then were not cancelled. Suppose, further, that the IRS received the envelope on April 15 but dated the return receipt April 17 — a situation that, based on the information contained in my testimony at pages 20–21 — very likely would occur during peak filing season. If the IRS then claimed that the taxpayer filed his return late, the taxpayer would find himself in quite a bind because the Postal Service failed to deliver the service for which he paid \$1.10. In fact, the return receipt

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might be considered evidence that he did *not* mail his return on time, if the delivery standard for his letter were overnight. Even a duplicate return receipt would not offer a satisfactory solution. First, the taxpayer might not know that a separate, more-accurate delivery record might exist and that, if he requested a duplicate return receipt, the Postal Service might consult this delivery record and possibly provide a correct date of delivery. (For one of Mr. Popkin's tax returns, the Postal Service forwarded the request for a duplicate return receipt to the New Jersey Division of Taxation for the addressee to complete.) Second, since the taxpayer did not have his certified-mail receipt postmarked at the window, he would be required to pay \$6.60 for his duplicate receipt. Third, the duplicate return receipt might not arrive for over a month (see LR-DFC-2 at 2A). Fourth, this process would, at best, be a major inconvenience to the taxpayer.

The type of situation described above hardly is hypothetical. Mr. Sande mailed his tax return to the State of California Franchise Tax Board (FTB) by regular First-Class Mail on April 13, 1996. Over two months later, the FTB claimed that he filed his return late and demanded a late-payment and interest penalty from him. The FTB dropped the claim when it could not produce, at my friend's request, a copy of his mailing envelope. My friend had thought about using certified mail, return receipt requested, in the future to protect himself, until I shared with him the letter from the Postal Service contained in DFC/USPS-T40-XE-6, which indicates that the Postal Service turns over incoming certified mail to the FTB, with the return receipts still attached, and allows the FTB to remove the return receipts and return them to the Postal Service. In my friend's opinion, not only would return-receipt service not protect him in the event of future disputes, as he originally thought it would, a return receipt actually could harm his case because it purports to state the correct date of delivery, while in reality the FTB has exclusive control over the return receipts before a date is stamped on them. The FTB therefore could "lose" a letter for a month, then, upon "finding" the letter, detach the return receipt and return it to the Postal Service; a false date of receipt would be stamped on the return receipt.

c. Confirmed.

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USPS/DFC-T1-15. Please refer to your testimony at page 21, lines 31-32.

- a. What is the basis of your assertion that these three addresses receive millions of pieces of mail each year?
- b. How much of this mail do you believe comes from customers who request return receipt service?

RESPONSE:

a. Printed information that I received on my tour of the IRS Service Center in Fresno indicates that the Fresno service center processes over 11 million returns each year. On the center's heaviest day each April, it receives nearly one million pieces of mail in one day. The Holtsville center probably receives a similar volume. The Trenton postmaster considers the volume of letters destined to the New Jersey Division of Taxation to which return receipts are attached — a subset of the total mail volume — to be "overwhelming."

The Postal Service is in the best position to provide this information, but the Postal Service refused to answer questions that intervenor David Popkin submitted on this subject. See DBP/USPS-106-171.

b. Please refer to DFC/USPS-T40-XE-9(b), where the Postal Service in Ogden, Utah, states that the IRS Service Center in Ogden uses a machine to sign the return-receipt cards "because of the sheer numbers of certified mail they receive. This can easily exceed hundreds of thousands monthly." The volume of mail to which return receipts are attached that the IRS Service Center in Ogden receives probably provides a ballpark estimate of the number of letters to which return receipts are attached that the Holtsville and Fresno IRS Service Centers receive. Hundreds of thousands monthly at two service centers will add up to very large numbers very fast. Moreover, the New Jersey Division of Taxation receives so many letters with return receipts attached that the Trenton postmaster considers the volume to be "overwhelming."

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-16. Please refer to your testimony at page 24, line 6. Explain your use of the term "premium service" as it relates to return receipts.

RESPONSE:

By "premium service," I mean a service that is above and beyond the basic service that would be available for sending the mail piece. For instance, the basic service for mailing a letter would be single-piece First-Class Mail. Return receipt would be an additional, premium service. Certified mail and registered mail also would fit a definition of a premium service. When customers pay \$1.10 for a return receipt, I believe that they have made a significant postal expenditure and, therefore, have the right to expect a high quality of service. In fact, when customers make an expenditure, large or small, they have a right to receive the service for

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**DOUGLAS F. CARLSON RESPONSES TO
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USPS/DFC-T1-17. Please refer to LR-DFC-2.

a. Please confirm that the letters on page 1C (second sentence) and 2C (last bulleted sentence) show that the Postal Service had a record of the date when both of Mr. Popkin's letters was [sic] delivered to the IRS. If you do not confirm, please explain why not.

b. With reference to the last bulleted sentence in the letter on page 2C, please provide the printout that was attached to the original letter to Mr. Popkin.

RESPONSE:

a. Confirmed. However, Mr. Popkin obtained the correct date of delivery only because (1) based on his past experience and the evidence produced in Docket No. MC96-3, Mr. Popkin was aware of delivery problems with return receipts and, therefore, *suspected* that the date provided on his return receipts might not be accurate; (2) he knew enough about the Postal Service to know that an independent date of delivery should exist; and (3) he went to the trouble of requesting a duplicate return receipt. (Fortunately, he had had his certified-mail receipt postmarked at the window, so he did not have to pay a \$6.60 fee for a duplicate return receipt.) The duplicate return receipt was not a satisfactory solution to the problem because visiting a window clerk to file for a duplicate return receipt was an inconvenience to Mr. Popkin and because Mr. Popkin's requests to Trenton for a duplicate return receipt were not answered for several weeks. In fact, his second request for a duplicate return receipt was forwarded to the addressee, the New Jersey Division of Taxation, against whom Mr. Popkin was trying to *protect* himself when he purchased return-receipt service. Then, the division indicated on the Form 3811-A that no record of delivery of his letter existed.

I believe that most customers will not suspect that the Postal Service allows some addressees to fill in the date of delivery on return receipts. Therefore, I believe that many taxpayers would not doubt that the date of delivery indicated on a return receipt was the actual date of delivery, even if the date of delivery seemed unusually late; therefore, they would unwittingly accept the incorrect information. Other customers are not likely to know that an independent record of delivery should exist or that duplicate return receipts are available and may elicit the correct information. A customer who lacked some of Mr. Popkin's knowledge and persistence probably would, for one reason or another, not ultimately obtain the correct information. I believe that many, if not most, mailers would not be able to resolve a situation similar to Mr. Popkin's as effectively as Mr. Popkin did.

b. See Attachment 1 to Response to USPS/DFC-T1-17(b).

SX1063G Article Search Program vs. 3.02
06/04/1997 09:57:51

Article	WS---	Date---	Seq#	Page	Item	Type	Other	To
Z715995900		12-03/24/97	0001	10	65			Taxation

Total items 1, items found 1
Done. <Print Screen> to print, SPACE BAR to end.

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Attachment 1 to Response to USPS/DFC-71-17(b)

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-18. The Berkeley post office is currently classified as a CAG C office. Assuming that classification, do you prefer the Postal Service's proposal to increase the post office box fees there by 11 to 13 percent, or the Office of the Consumer Advocate's proposal to increase these fees by 40 percent? (See OCA-T-500 at 61.)

RESPONSE:

Since I have not extensively studied or analyzed witness Callow's testimony, I will assume for purposes of this interrogatory that his data and analyses are correct.

As a person who has received formal training in economics, I am attracted to witness Callow's proposal because it promotes economic efficiency. Cross-subsidization often is unfair, and apparently boxholders in small offices are subsidizing boxholders in large offices. Cross-subsidization sends customers the wrong price signal, thus possibly causing underuse of small-office boxes and overuse of large-office boxes. In general, I believe that cross-subsidization should be avoided unless the cross-subsidization advances other goals whose benefits outweigh the harm caused by the cross-subsidization. Indeed, I am proposing a lowered rate for stamped cards because I believe that stamped-card users unfairly are required to cross-subsidize users of private post cards, and any benefits of this cross-subsidization certainly do not outweigh the costs and perverse incentives that the incorrect price signals send.

Witness Callow's testimony does raise concerns of "rate shock." Moreover, if the Commission aligns box fees more closely with their costs, I would wonder why we still place such a high value on universal rates for First-Class letters instead of adjusting the rates based on distance or other costs. If box fees were adjusted but universal rates for First-Class letters were maintained, I would be concerned that boxholders in small, rural offices would be receiving a double benefit at the expense of boxholders in larger, urban offices. If mail-processing and delivery costs are higher in rural areas, urban mailers cross-subsidize rural mailers, but rural boxholders cross-subsidize urban boxholders. This situation achieves a sort of rough justice. However, if witness Callow's proposal is approved, the cross-subsidy for box fees would disappear, yet urban mailers still would be subsidizing rural mailers. Rural boxholders would benefit at the expense of urban boxholders. I am not certain that this result would be fair.

If I am required to pay higher fees as a result of this case, I would prefer to pay higher fees based on witness Callow's logical, economically sound proposal than based on the Postal Service's unsubstantiated assertions about the value of the box service that I receive.

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-19. Please refer to your testimony at page 2, lines 11 to 25, where you quote part of the response of witness Patelunas to interrogatory OCA/USPS-T5-11 from Docket No. MC96-3.

a. Please confirm that you did not quote the beginning of witness Patelunas' response, which states:

There are no certain reasons for the difference in unit costs, although there are some speculative reasons. Part of the explanation may be that . . .

b. Please confirm that your testimony omits the second half of witness Patelunas' response, which states:

It is also possible that postal cards are misidentified as private cards during data collection. The relatively small volume of postal cards compared to the total volume of cards processed could cause data collection errors biased towards categorizing cards as private even if they aren't. This is not a new development nor has it gone unnoticed. Since Fiscal Year 1990, the unit cost of postal cards has been less than one-half of the unit cost of private cards. A remedy to the misidentification problem is proposed in this case: simply treat cards as cards without the postal-private distinction. As this question seems to postulate, there should be no distinction in costs other than the manufacturing costs. Providing a special service line item for stamped cards similar to stamped envelopes accomplishes this.

Docket No. MC96-3, Tr. 2/253 (Attached). If you do not confirm, please explain why not. When you respond, please include the attachment with the question.

c. Transcript volume 19F, containing materials designated from prior proceedings, contains only the first page of witness Patelunas' response, omitting the material quoted in part (b) above. Please confirm that you intended to designate the entire response to OCA/USPS-T5-11 into the record.

d. If you do not confirm part (c), please explain why your motion to designate evidence from Docket No. MC96-3, dated October 17, 1997, did not discuss your intent to include only the first page of the response in the Docket No. R97-1 record.

e. If you confirm part (c), would it have been better to cite both pages of the response in your motion to designate (Tr. 2/252-53), rather than just citing the first page of the response (Tr. 2/252)? Please explain your answer.

RESPONSE:

a. Confirmed.

b. Confirmed. See Attachment 1 to Response to USPS/DFC-T1-19(b).

c. I did not intend to designate the entire response into the record because I was not aware of the remainder of the response. In order to reduce my expenses, I do

**DOUGLAS F. CARLSON RESPONSES TO
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not buy all transcript volumes. When I cleaned out my files after Docket No. MC96-3, I discarded the response to OCA/USPS-T5-11, mistakenly believing that the response appeared in a transcript volume that I owned. I obtained another copy of the response in October 1997 during my visit to Washington, but when I copied the interrogatory response I did not notice that the response continued onto another page, where the quoted language appeared. Therefore, when I filed the motion to designate evidence from Docket No. MC96-3, I unknowingly supplied the Commission with an incomplete copy of the interrogatory response. If I had been aware of the entire interrogatory response, I would have supplied the entire response. I believe that the record now will reflect the entire response to OCA/USPS-T5-11. I note, however, that the value of this omitted section is of questionable relevance in this case, as witness Alexandrovich has confirmed that "no studies or other analyses have concluded that the reliability of the cost data for postal cards" contained in Attachment 1 to DFC/USPS-T5-2(b) "has been affected in any significant way by the misidentification of stamped cards and other cards by IOCS data collectors." DFC/USPS-T5-12. In fact, he acknowledges that stamped cards historically have been less expensive to process than private post cards. DFC/USPS-T5-16. My testimony, along with witness Patelunas' response to OCA/USPS-T5-11, explains why stamped cards should be less costly to process than private post cards. Any suggestion that this cost differential is illusory due to data-collection errors is pure speculation.

- d. Please see my response to part (c).
- e. Please see my response to part (c).

Answer of Richard Patelunas to the Interrogatories of
Office of the Consumer Advocate
to United States Postal Service

OCA/USPS-T5-11 continued:

It is also possible that postal cards are misidentified as private cards during data collection. The relatively small volume of postal cards compared to the total volume of cards processed could cause data collection errors biased towards categorizing cards as private even if they aren't. This is not a new development nor has it gone unnoticed. Since Fiscal Year 1990, the unit cost of postal cards has been less than one-half of the unit cost of private cards. A remedy to the misidentification problem is proposed in this case: simply treat cards as cards without the postal-private distinction. As this question seems to postulate, there should be no distinction in costs other than the manufacturing costs. Providing a special service line item for stamped cards similar to stamped envelopes accomplishes this.

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-20. Please refer to your testimony at page 2, lines 27 through 31, where you state that some private post cards do not meet the automation compatibility requirements in specified DMM sections, and not all private post cards meet the reflectance requirements of DMM § C830.3.2.

a. Please confirm that some private cards do meet the automation requirements in the DMM sections you cite. If you do not confirm, please explain why not.

b. Please confirm that some private post cards meet the reflectance requirements in DMM § C830.3.2. If you do not confirm, please explain why not.

RESPONSE:

a. Confirmed with respect to DMM §§ C810.2.1, C810.2.2, C810.5.1, C830.3.4, and C830.6.1–C830.6.3. For DMM §§ C810.7.4 and C830.3.5, I do not have sufficient information to allow me to confirm, but I would not be surprised if some private post cards met these requirements.

b. While I do not have sufficient information to allow me to confirm this statement, I would surprised if this statement were not true.

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-21. Please refer to your testimony at page 10, lines 3 to 5.

- a. Why do you believe that some private post card customers will find a three-cent price differential a sufficient incentive to switch to stamped cards?
- b. Please confirm that the private post card category includes a wide variety of types of cards, such as cards used for billing purposes, and picture post cards. If you do not confirm, please explain why not.
- c. What types of private post cards do you believe would be most likely to switch to stamped cards?
- d. Please confirm that the average cost for the private post card category includes a wide variety of costs, including the costs for cards used for billing purposes, and the costs for picture post cards. If you do not confirm, please explain why not.
- e. Do you believe that private post cards which switch to stamped cards are likely to have costs below the average costs for all private post cards? Please explain your answer.

RESPONSE:

- a. Some customers are sensitive to prices. The Postal Service's case for Prepaid Reply Mail seems to assume that some customers will appreciate the opportunity to save three cents by using PRM and that this savings will not be insignificant to them. Witness Tolley's elasticities indicate that the volume of post cards is sensitive to changes in price. In fact, the volume of First-Class *letters* is sensitive to the rate for *post cards*. If customers will shift between letters and cards based on the relative rates of the two types of mail, I believe that one can safely and reasonably assume that a three-cent price differential between private post cards and stamped cards will cause some customers to migrate from private post cards to stamped cards. As a specific example, I could foresee a merchant who wants to mail announcements about a grand opening of a new store to 1,000 customers deciding to use stamped cards instead of private post cards, since using stamped cards would save this merchant \$30 in postage plus the expense involved in applying postage to those cards. In fact, the operative price differential between private post cards and stamped cards is, in reality, three cents plus the expense that is saved in applying postage to the cards.
- b. Confirmed.
- c. I provided one example in my response to part (a). In addition, I could imagine that some people who use index cards to request information from businesses or organizations or to correspond with friends might switch to stamped cards. Without

**DOUGLAS F. CARLSON RESPONSES TO
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having conducted a study of the post-card mail stream, however, I cannot provide additional specific examples.

d. Based on my understanding of the Postal Service's cost data, this statement seems likely to be true. However, the Postal Service presumably would be in a better position than I to provide a definitive answer.

e. I have not studied the post-card mail stream, nor have I surveyed customers who use post cards to determine which of them would be most likely to switch to stamped cards if a three-cent price differential were introduced. While the outcome posed in this question has some intuitive appeal, I believe that a reasonable possibility exists that the private post cards of customers who switch to stamped cards may not, in fact, represent the low-cost cards. For example, the merchant to which I referred in part (a) may now be sending cards that are too flimsy. Or, perhaps this merchant's cards are cut in a size such as 4¼" x 5¼" that fails to meet the minimum length-height aspect ratio for automation compatibility (1.24 versus the required 1.3). Cards that do not meet the aspect ratio still can be mailed at the post-card rate, without a nonstandard surcharge, yet they are incompatible with automation and, thus, more costly to process. See Supplemental Response of the United States Postal Service to Douglas Carlson Interrogatory DFC/USPS-11, filed December 12, 1997. Alternatively, this merchant might use a bright-color card stock for his cards, or perhaps he has a decorative address side of the card that interferes with OCR readability or contains obstructions in the bar-code clear area on the bottom of the card. Despite this merchant's penchant for design, he may decide to forgo some of the design elements on the front of the card in return for saving postage. In all these scenarios, none of which is unlikely, this merchant would be switching from a high-cost card to a low-cost card.

Given these possibilities, I have no basis for confirming that the customers who would switch from private post cards to stamped cards would be the ones who produce private post cards that have below-average processing costs.

**DOUGLAS F. CARLSON RESPONSES TO
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USPS/DFC-T1-22. Please confirm that some stamped cards contain handwritten addresses, and some contain typed addresses. If you do not confirm, please explain fully.

RESPONSE:

Confirmed.

**DOUGLAS F. CARLSON RESPONSES TO
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USPS/DFC-T1-23. Please refer to page 9, lines 25-26 of your testimony. How will the classification you propose "lower costs"?

RESPONSE:

My proposal will lower costs in the sense that it will encourage customers to shift from a card that costs, on average, 18.7 cents to process to a card that costs only 7.6 cents to process. Costs to the Postal Service and society will decrease. Presently, the rate structure does not send customers a price signal to indicate that they could save the Postal Service expenses by using stamped cards instead of private post cards, so customers overuse private post cards and underuse stamped cards. This outcome is less economically efficient, from society's point of view and the Postal Service's point of view, than the one that would result from my proposal.

In addition, since the cost coverage for stamped cards is higher than the cost coverage for private post cards, this reduction in costs would also increase the Postal Service's net revenue, because customers would be shifting from a product that has a lower cost coverage to a product that has a higher cost coverage.

**DOUGLAS F. CARLSON RESPONSES TO
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USPS/DFC-T1-24. Please refer to page 13, lines 11-12 of your testimony.

- a. Does the transcript cite in footnote 62 refer to the following?

Q And if that business wanted to receive its mail at 8:30 a.m. but that mail were not available until 11:00 o'clock a.m., that business would value receiving the mail at 8:30 higher than receiving it at 11 o'clock?

A Probably.

- b. If your response to "a" above is no, please provide the exact cite.

c. If your response to "a" above is yes, is your statement on lines 11-12 presupposed on any conditional information such as the business wanting to receive its mail at 8:30 a.m.? If so, please specify.

RESPONSE:

- a. Yes.

- b. N/A.

c. My statement at page 13, lines 13–14, reflects witness Needham's acknowledgement that some businesses would place a higher value on receiving their mail at 8:30 AM than at 11:00 AM. I consider this fact to be obvious and self-evident, especially when a business receives checks or mail orders in its box mail; for those businesses, time literally is money. In fact, I believe that witness Needham's acknowledgement stands for a broader proposition: for many boxholders, the value that they place on their box service is proportional to how early in the morning they can obtain their box mail. In other words, earlier is better than later. Compared to 8:30 versus 11:00, an even larger number of businesses will prefer 9:00 over 11:00 or 9:30 over 11:00, since more businesses will be open and ready to receive mail at 9:30 than at 8:30. My use of 8:30 in my question to witness Needham would serve to limit the general applicability of the response, if at all, only to hours *earlier* than 8:30.

**DOUGLAS F. CARLSON RESPONSES TO
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DFC/USPS-T1-25. Please refer to page 13, lines 16-20 of your testimony. Please provide all information, reports, dispatch time schedules, or other bases to support your statement that "transportation constraints would not prevent an earlier cutoff time".

RESPONSE:

On dozens of occasions during my drive to work, I have seen a large truck arriving at the Berkeley post office at 7:00 AM. Based on my general knowledge of postal operations, I believe that this truck carries a large quantity of First-Class Mail. In fact, I would be surprised if the Berkeley post office receives much First-Class Mail significantly after 7:00 AM.

As I noted on page 16 of my testimony, my box mail in Santa Cruz and Walnut Creek generally was distributed by 9:30 AM. The driving time for a truck between the San Jose P&DC and the Santa Cruz post office is approximately one hour. The driving time for a truck between the Oakland P&DC and Walnut Creek is approximately 30 minutes. In contrast, the driving time for a truck between the Oakland P&DC and the Berkeley post office is not more than 15 to 20 minutes. If the Santa Cruz and Walnut Creek post offices can consistently distribute mail to the post-office boxes by 9:30 AM, even though they are located farther from the P&DC than Berkeley is located from the P&DC, I do not believe that transportation constraints are responsible for the Berkeley post office's failure to distribute box mail even by the posted 11:00 AM cutoff time.

During my travels, I have seen box cutoff times of noon or later, but these late cutoff times existed at offices that were located in remote or rural locations. I believe that transportation constraints were responsible for these late cutoff times. Such transportation constraints do not exist in Berkeley, which is located in an urban area approximately five miles from the Oakland P&DC.

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

DFC/USPS-T1-26. Please refer to page 13, footnote 65 of your testimony. Do you believe that the only support for a claim of extremely high value of service for post office box service is that customers uniformly receive box mail early. If yes, please explain fully.

RESPONSE:

No. However, in support of witness Needham's claim that businesses "may opt for box service to receive their mail early in the day," I would have expected to see some evidence indicating that boxholders do, in fact, receive their mail early in the day. For example, the service level that I receive in Berkeley is inadequate to justify the assertion that boxholders in Berkeley receive an extremely high value of service. On the other hand, the Santa Cruz post office's consistent delivery by 9:30 AM provides, in my opinion, a high value of service. If Santa Cruz delivered the mail by 8:30 AM, the value of service would be even higher. In evaluating the value of the service that a particular post office provides, the Commission should consider the post office's performance under the conditions that constrain its activities. Urban post offices, which generally are located close to a P&DC, should be able to distribute box mail by early to mid-morning, while rural offices, due to transportation constraints, understandably may still provide a high value of service if they distribute the box mail by 11:00 AM. However, missing from the Postal Service's case is any data or evidence substantiating the claim that boxholders nationwide receive their mail early enough in the day to justify a claim of an extremely high value of service. The experiences that I have described in my testimony at pages 13–16 indicate that significant problems exist with post-office-box service.

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-27. Please refer to your testimony at page 14, lines 7 to 11.

a. Quote the language by which witness Needham acknowledged that a customer would value his box service higher if the mail was placed in his box consistently by the posted cutoff time.

b. Quote the language by which witness Needham acknowledged that the reasons for a customer making multiple visits would be inconsistent delivery or the post office's failure to meet the posted cutoff time.

RESPONSE:

a.-b. See Tr. 3/655, line 22, through Tr. 3/657, line 11. Witness Needham acknowledged the rather obvious fact that a customer who needs his mail early in the day and wishes to make only one trip to the post office per day would prefer to be able to go to the post office at 8:30 AM and pick up all his mail instead of making two trips — one at 8:30 AM and then another trip at 11:00 AM, the purpose of the latter trip being to pick up any mail that was not delivered by 8:30 AM.

My question to which witness Needham was responding states, in part, "the mail sometimes is in the box by 8:30 a.m. but sometimes it is not delivered until 11 o'clock a.m. so customer A who needs his mail early in the day must make two trips to the Post Office every day to ensure that he has picked up all of that day's mail?" Tr. 3/656, lines 6–10. The situation posed in this question is synonymous with "inconsistent delivery." Witness Needham answered my question without charging that its premise was faulty or not plausible. Therefore, she has implicitly acknowledged that inconsistent delivery may cause a customer to need to make two trips to the post office each day to check his mail.

In her response to this question, witness Needham also did not testify that her answer depended on any particular reason why this customer went to the post office at 8:30 AM or expected his mail by 8:30 AM. Thus, her answer applies regardless of the reason why this customer goes to the post office at 8:30 AM. I suggest that signs in the box lobby indicating that the mail will be distributed to the boxes by 8:30 AM are one reason why this customer might go to the post office every day at 8:30 AM or expect his mail by 8:30 AM. Witness Needham was aware that some post offices post a sign in the lobby to indicate the time by which First-Class Mail will be delivered to the boxes (see Tr. 657, lines 12–17), yet she did not indicate that her answer did not apply to the case of a posted sign.

My point is clear and valid: customers are significantly inconvenienced when their post office fails to distribute box mail by the posted cutoff time.

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-28. Please refer to your testimony at page 20, lines 1 to 4.

a. Is Express Mail the only alternative to return receipt service? Are there any non-postal alternatives? Please explain.

RESPONSE:

a. Express Mail is not a functional or cost-effective alternative to return-receipt service, as Express Mail does not provide the sender with a signed return receipt. Moreover, although Express Mail provides the sender with electronic and telephone delivery confirmation — confirmation that, in my experience, can be delayed and unreliable — Express Mail costs a minimum of 9.8 times as much as return-receipt service. This cost differential alone prevents Express Mail from being a practical alternative to return-receipt service.

I am not familiar with any non-postal alternatives to return-receipt service that provide a signed, hard-copy delivery receipt to the sender. However, if an alternative does exist, due to the Private Express Statutes this service must be connected to an expedited service. Expedited services cost considerably more than the \$1.10 fee for return receipt. In much the same way that costly FedEx service is not an alternative to regular First-Class Mail for a person who wishes to send a nonexpedited letter, Express Mail is not an alternative to return-receipt service.

My lack of familiarity with alternatives to return receipt itself suggests that the alternatives to return receipt are few or nonexistent and that, if alternatives exist, they are not sufficiently well known to the public to act as alternatives that should be considered under 39 U.S.C. § 3622(b)(5).

**DOUGLAS F. CARLSON RESPONSES TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/DFC-T1-29. Please refer to your testimony at page 20, lines 8 to 10, and footnote 87. Please confirm that at the transcript cite you provide (Tr. 3/850) witness Plunkett did not acknowledge that "customers often use return receipt service because the Postal Service supposedly acts as a 'disinterested third party' in confirming the date on which an article was delivered." If you do not confirm, please explain why not.

RESPONSE:

Witness Plunkett acknowledged that the Postal Service "acts as a 'disinterested third party' in confirming the date on which an article was delivered" at Tr. 3/849 (DFC/USPS-T40-1(c)). Support for my statement that customers "*often* use return-receipt service because the Postal Service supposedly acts as a 'disinterested third party' in confirming the date on which an article was delivered" [emphasis added] appears at Tr. 3/848–89 (DFC/USPS-T40-1(b)), where witness Plunkett stated that "many" return receipts are used in conjunction with ongoing legal proceedings in which the recipient may benefit from the provision of faulty information about the date of delivery and that the *cordial* relationship between that sender and recipient that my interrogatory implied is "not typical." My use of the word "often" captures the essence of witness Plunkett's response.

DECLARATION

I, Douglas F. Carlson, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

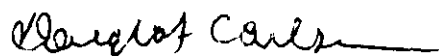
Dated: January 23, 1998



DOUGLAS F. CARLSON

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the required participants of record in accordance with section 12 of the *Rules of Practice* and section 3(B) of the *Special Rules of Practice*.



DOUGLAS F. CARLSON

January 23, 1998
Emeryville, California